

AGENDA REPORT

Oversight Board of the Successor Agency to the Loma Linda Redevelopment Agency

MEETING DATE: January 7, 2013

SUBJECT/ACTION: RECEIVE FROM THE SUCCESSOR AGENCY THE INDEPENDENT ACCOUNTANT'S REPORT FROM THE DUE DILIGENCE REVIEW CONDUCTED PURSUANT TO SECTION 34179.5 FOR ALL FUNDS AND ACCOUNTS OTHER THAN THE LOW AND MODERATE INCOME HOUSING FUND AND CONVENE PUBLIC COMMENT SESSION

PROPOSED AND RECOMMENDED ACTION

1. **Adopt Oversight Board Resolution No. 2013-001** RECEIVING FROM THE SUCCESSOR AGENCY, AND CONVENING A PUBLIC COMMENT SESSION OF, THE INDEPENDENT ACCOUNTANT'S REPORT RE THE DUE DILIGENCE REVIEW CONDUCTED PURSUANT TO SECTION 34179.5 FOR ALL FUNDS AND ACCOUNTS OTHER THAN THE LOW AND MODERATE INCOME HOUSING FUND; DIRECTING SUCCESSOR AGENCY STAFF TO MAKE SUCH REPORT AVAILABLE TO THE PUBLIC FOR REVIEW AND COMMENT FOR NOT LESS THAN FIVE (5) BUSINESS DAYS HEREAFTER; DIRECTING SUCCESSOR AGENCY STAFF TO RECEIVE FROM THE COUNTY AUDITOR-CONTROLLER (CAC) THE RESULTS OF THE CAC'S REVIEW OF SUCH REPORT AND DIRECTING TRANSMITTAL THEREOF TO THE OVERSIGHT BOARD FOR CONSIDERATION WITH PUBLIC'S COMMENTS, IF ANY; AND, DIRECTING SUCCESSOR AGENCY STAFF THAT AFTER SUCH REVIEWS AND PRIOR TO JANUARY 15, 2013 THAT THE REPORT BE PRESENTED AGAIN TO THE OVERSIGHT BOARD FOR FINAL REVIEW AND ACTION TAKING INTO CONSIDERATION THE PUBLIC COMMENTS AND CAC'S OPINIONS, IF ANY, ALL PURSUANT TO SECTIONS 34179.5 AND 34179.6 OF THE DISSOLUTION ACT

(Note: Pursuant to Section 34179(h) as amended by Assembly Bill 1484 effective June 27, 2012, written notice and information about all actions taken by the Oversight Board shall be provided to the Department of Finance ("DOF") by electronic means and in a manner of DOF's choosing. Generally, an oversight board's action shall become effective five (5) business days after notice in the manner specified by the DOF unless the DOF requests a review provided however the subject report will be considered and acted on pursuant to the process and timing of Sections 34179.5 and 34179.6.)

BACKGROUND AND DISCUSSION

The Dissolution Act, Parts 1.8 and 1.85 of the California Health and Safety Code, as modified by the Supreme Court's opinion in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. S194861 and as amended by Assembly Bill 1484 chaptered and effective June 27, 2012, in particular Section 34719.5, require the Successor Agency to retain a licensed accountant for the purposes of determining the unobligated fund balances available for transfer to the taxing agencies, including the City's General Fund. Two due diligence reviews are required, one related to housing assets and obligations and the other related to non-housing assets and obligations. This first accountant's report (The "Housing Report"), which pertained to the Low and Moderate Income Housing Fund ("LMIHF"), was approved by the Oversight Board at its meeting of October 9, 2012 by Oversight Board Resolution No. 2012-013 and was subsequently transmitted to the Department of Finance and others as provided by statute. Subsequently, a second accountant's report (the "Report") has been prepared with respect to all funds and accounts other than the Low and Moderate Income Housing Fund. The Successor Agency has caused the Report to be transmitted this report to the Oversight Board. Once the Oversight Board receives the Report, the Oversight Board will complete a public comment session; final approval must occur for not less than five (5) business days, to review public comments and to receive and consider the views of the County Auditor-Controller ("CAC"), and then review, approve and transmit the report again to the CAC, the State Controller's Office ("SCO"), and DOF.

Licensed Accountant

As presented at the August meeting, the Successor Agency selected and the County Auditor-Controller ("CAC") approved *Marcum LLP* an accounting firm with experience and expertise in local government accounting to conduct the due diligence reviews to determine the unobligated balances available for transfer to taxing entities relating to housing and non-housing assets and obligations in order to ascertain unobligated cash or cash equivalent balances that would be available for transfer to local taxing entities. *Marcum LLP* delayed commencing work on the due diligence review until the review standards were developed and issued by the DOF as below described.

In July and August of this year, members of the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants ("CalCPA"), along with the State Controller's Office ("SCO") and the DOF, developed the review standards/agreed upon procedures. On August 30, 2012, the DOF posted the standards/procedures and *Marcum LLP* began work on the housing due diligence review. Subsequently, *Lance, Soll & Lunghard, LLP* conducted its work concerning the non-housing assets and prepared the Report. The Report concerns all funds and assets other than housing funds and accounts; such non-housing funds and accounts are referred to herein for convenience as "Non-Housing Funds."

Legal Requirements and Standards for the Due Diligence Review

Under Section 34179.5, the due diligence review requires the independent accountant to reconcile assets, balances and liabilities with previous reports made to the State. Further, this review includes valuation of cash and cash equivalents (such as LAIF

deposits), and obligations. "At a minimum, the [due diligence] review required by this section shall include the following: ... '[a]n itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment.' ..."

The review and report occurs as to housing assets between August and November 2012, and as to non-housing assets between November 2012 and April 2013. The review process entails several steps in order to be completed as required, and the penalty for failure to pay or transfer will result in the DOF causing the equivalent amount(s) to be deducted from sales and use taxes and/or property taxes due to the City, as the sponsoring community.

Key dates include the following for both reviews:

DUE DILIGENCE REVIEW SCHEDULE AND DEADLINES		
	Housing Review	Non-housing Review
Due Diligence Review Due from Successor Agency to Oversight Board	October 1, 2012	December 15, 2012
Oversight Board Deadline to Conduct Hearing, Review, Approve and Submit Due Diligence Review	October 15, 2012	January 15, 2013
DOF Deadline to Issue "Finding of Completion"	November 9, 2012	April 1, 2013
Successor Agency Deadline to Request Meet and Confer with DOF about Reviews	Five (5) Days of DOF Action, no Later than November 16, 2012	Five (5) Days of DOF Action, no Later than April 6, 2013
Successor Agency Deadline to Make Transfers to County Auditor-Controller based on DOF Findings	November 28, 2012	April 10, 2013

Findings

Attached to this report and the Resolution is the Report transmitted by the Successor Agency to the Oversight Board. *Marcum LLP* reviewed cash and non-cash balances, expenditures, revenues and transfers prior to and following dissolution on February 1, 2012. In general, the activities noted in the report reflect transactions associated with the former

Agency in the course of implementation of its activities other than with regard to affordable housing responsibilities.

The primary finding is that the summary of balances available for allocation to affected taxing entities is a negative number (which means that zero would be remitted to taxing entities per Exhibit 10-01). Members of the Board are invited to review the Report in its entirety.

As required by the Dissolution Act, the Oversight Board must meet not less than two times regarding the report: (1) at one meeting to receive the report and convene a public comment session (today's agenda item), and (2) at a second meeting before January 15, 2013 to consider the public comments and the results/opinions of the CAC to the report and review, approve and authorize transmittal of the report again to the CAC, SCO and DOF not later than January 15, 2013 for review and final determination by the DOF.

CONCLUSION

Successor Agency staff recommends that Oversight Board adopt the attached Resolution confirming receipt of the independent accountant's report from the due diligence review conducted pursuant to section 34179.5 for all funds and accounts other than the low and moderate income housing fund and convening the public comment session on the report.

Respectfully submitted,

Successor Agency to the
Loma Linda Redevelopment Agency

Attachments:

1. Report (Non-Housing Due Diligence Review)
2. Oversight Board Resolution No. 2013-001